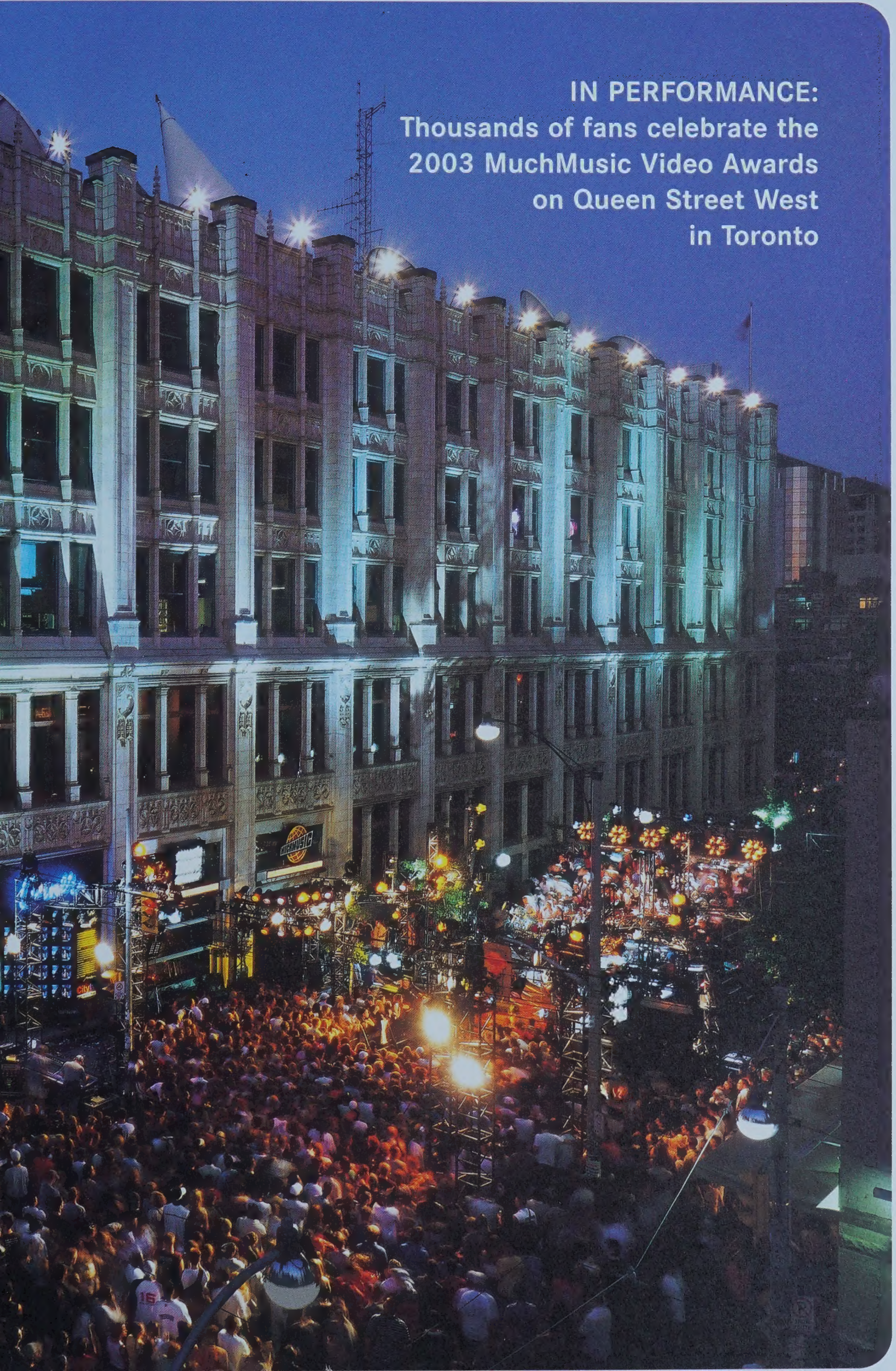
Performance.

CHUM LIMITED

ANNUAL REPORT 2003


Speakers



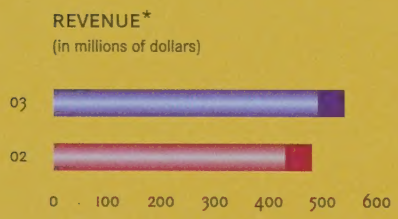
IN PERFORMANCE:
Thousands of fans celebrate the 2003 MuchMusic Video Awards on Queen Street West in Toronto

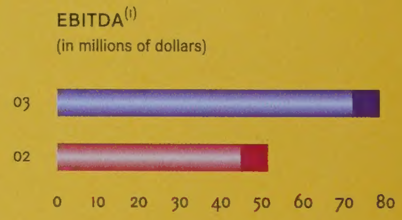
FINANCIAL HIGHLIGHTS

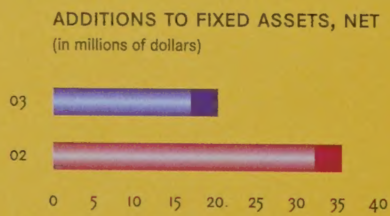
(in thousands of dollars except per share amounts)	2003	2002
Revenue, less agency commissions	$540,509	$479,939
Operating Income	44,162	17,201
Net earnings	25,429	14,130
Net earnings per Class B and common share	2.13	1.21
EBITDA(1)	79,913	51,421
Cash provided by operating activities before changes to non-cash balances related to operations	49,740	32,337
Additions to fixed assets, net	20,300	35,515
Long-term debt(2)	126,155	247,853
Shareholders' equity	389,240	263,808
Dividends paid:		
- Class B shares	2,154	1,817
- Common shares	742	742

(1) EBITDA is defined as earnings before interest, income taxes, depreciation, minority interests, interest and other income, and gain on exchange of assets. This supplementary earnings measure does not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other companies nor should it be viewed as an alternative to net earnings. It is a measure utilized by investors in determining the ability of the Company to generate cash from operations and cover financial charges.

(2) Includes current portion. On July 14, 2003, the Company issued 2,100,000 Non-Voting Class B Shares for net cash proceeds of $101.3 million. The proceeds were used to repay long-term debt.







* Less agency commissions

Revenue is up.
Profit is up.
Debt is down.
Our performance is strong.

- ✔ Leveraged strategic assets to achieve highest-ever revenue
- ✔ Increased profitability
- ✔ Significantly reduced debt
- ✔ New senior management team in place
- ✔ CHUM Radio margins 26%
- ✔ TV subscription revenue up 11.8%
- ✔ TV advertising revenue up 15%
- ✔ Further consolidation of back office functions in sales, marketing, finance and human resources
- ✔ CRTC approved group licence renewals for CHUM Conventional stations
- ✔ First Canadian broadcaster to receive High Definition TV signal licence, for Citytv Toronto
- ✔ Achieving long-term objectives of growth, profitability and stability


Yo-Yo Ma performs on Bravo!'s series *Live at the Rehearsal Hall*

CHUM Limited, one of Canada's leading media companies and content providers, owns and operates 30 radio stations, eight local television stations and 18 Specialty channels, as well as an environmental music distribution division. In addition, through its international licensing arrangements and joint ventures, the company's original content is seen in over 120 countries worldwide. CHUM content is also provided to online audiences on new media platforms, including interactive television, wireless services and exclusive CHUM-branded Internet properties.

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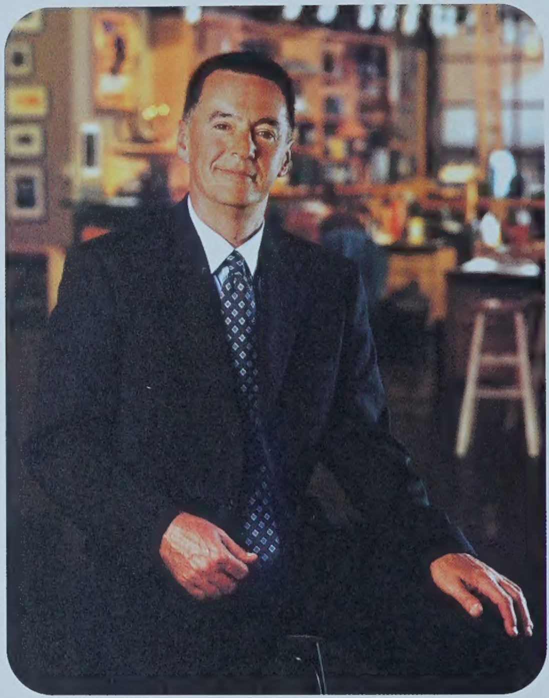


The past year has been an outstanding one for our company. Despite an increasingly competitive broadcasting arena, CHUM has realized important gains and achieved strong, solid results.

On behalf of CHUM Limited's Board of Directors, I congratulate management and all CHUM employees for their efforts and accomplishments, which played a large part in a much-improved financial performance for our company.

This year has also been one of transition. Allan Waters, the only Chairman and CEO that CHUM Limited has ever had, announced last December that he had decided to step down from his day-to-day responsibilities. He founded this company and it has been his lifelong passion, but he believed it was time to pass the torch on to others to lead the company forward. I know what an incredibly difficult decision it was for him, as he has set the direction and guided the growth of CHUM for nearly 50 years. Happily, we will benefit from his expertise, insight and counsel, as he remains a valued member of our Board.

Allan Waters, my father, built a great company. He would be the first one to tell you that he couldn't have done it without a great team. Deflecting the credit for CHUM's achievements, he has always believed our company's greatest strength is its people. And at CHUM, they are the

best! Throughout his time at the helm, Allan Waters acted on two guiding principles: integrity and putting people first. The result is a thriving community spirit and unique culture at CHUM. It is one that is based on respect, honesty and fair dealing.

I am humbled and honoured to succeed my father as Chairman of the Board. I have had the privilege of working beside him and learning from him for many years. His leadership, business acumen and character have been an inspiration to many of us. It is now my responsibility, and that of the Vice-Chairman, my brother Ron Waters, as well as the new senior management team, to nurture the creative energy, spirit and culture that we have at CHUM.

We are committed to excellence, and we will build on CHUM's solid foundation as we continue to generate great value for our shareholders by being the best that we can be!

Jim Waters

JIM WATERS

Chairman of the Board

TO OUR SHAREHOLDERS

In 2003, we continued to achieve strong financial results through solid growth at our established radio and television businesses, and implementation of new initiatives to build overall strength and future competitiveness. With our new senior management team in place, and a particularly strong performance this year, CHUM is poised for future growth and profitability by doing what we do best – creating, marketing and delivering compelling and original content and the best-targeted brands to listeners, viewers and advertisers in key markets in Canada and around the world.

In Radio, Conventional television and Specialty television, financial performance remains strong, exceeding targets in many areas. Most of CHUM's FM stations are number one in their target demographic group, and our Specialty channels continue to grow. Conventional channel revenues, on a same-station basis, are notable and increasing – especially in Ontario – particularly within the context of today's highly competitive environment. For example, Citytv Toronto's advertising revenue increased 16.2 percent, significantly outperforming the average Conventional television growth rate for the province.

We are working to extend CHUM's industry-leading brands and introduce new operational efficiencies, to increase our market presence and enhance financial performance. CHUM Limited's new senior management team, including Radio executive vice-president Paul Ski, Television executive vice-president Stephen Tapp and Sales and Marketing executive vice-president David Kirkwood, is working hard to achieve these goals going forward.

Among the many objectives for the coming year, we're focusing on even greater collaboration between divisions in order to better use our collective expertise and operations for increased economies of scale. Shared back-office infrastructure, more inclusive working relationships and greater cross-promotional activity have already yielded higher ratings and improved cost savings in many markets.

Our strategic vision includes searching out and seizing new market opportunities that maximize our financial performance across business lines. Our strong balance sheet gives us the agility to build on our existing radio and television strengths through new applications and acquisition.

Financial Highlights

CHUM Limited achieved highly satisfactory financial results for the fiscal year ended August 31, 2003, with revenues reaching an all-time high.

- Revenue increased to $540.5 million, compared with $479.9 for the same period last year, an increase of $60.6 million or 12.6 percent;
- Net earnings were $25.4 million or $2.13 per share, compared with $14.1 million or $1.21 per share, for the year ended August 31, 2002;
- Operations expense for 2003 increased over the previous year by $32.1 million or 7.5 percent to $460.6 million;
- Cash flow from operating activities in 2003, before changes in non-cash balances related to operations, totalled $49.7 million or $4.17 per share, compared with $32.3 million or $2.78 per share last year;
- Shareholders' equity increased to $389.2 million compared with $263.8 million at August 31, 2002;

- During the past year, we invested $20.3 million (net of proceeds) for normal replacement of, and improvements to, broadcasting and other equipment together with expenditures at the CHUMCity Building at 299 Queen Street West and the building at 260 Richmond Street West, Toronto to expand automation and to improve efficiencies;
- In July 2003, the company issued 2.1 million Non-Voting Class B Shares at a price of $50.50 per share. After deducting the underwriters' fees, and expenses, the net proceeds were $101.3 million. The company used the net proceeds of the issue to reduce indebtedness owed to its lenders under its credit agreement;
- CHUM Limited has paid dividends every year since becoming a public company in 1967. Dividends paid this year of 22¢ per Class B and common share amounted to $2.9 million.

CHUM Radio

CHUM Radio performed very well in 2003. Our FM stations continued to drive profitability and were supported by our AM stations that have grown stronger. Operating margins of 26 percent were up from 15.1 percent in 2002.

In 2004, we will build on the successes of this year by continuing to develop our innovative formats and expanding our industry-leading franchise with further operating efficiencies and strategies to exploit new market opportunities. These include taking advantage of growth opportunities within existing station clusters in mature markets, and moving into new areas that have strong growth potential. We have applied to the Canadian Radio-television and Telecommunications Commission (CRTC) for a licence to operate an Urban-format FM radio station in Edmonton, Alberta in partnership with Milestone Media Broadcasting Ltd., with CHUM holding a 51 percent controlling interest.

CHUM Television

CHUM Television's established Conventional and Specialty channels had another impressive year. Revenue from advertising sales increased by 15 percent and subscription revenue was up 11.8 percent.

CHUM's original television programming content and highly distinctive brands define who we are and set us apart from the competition. Our Conventional channels are growing more profitable. CHUM has filed applications with the CRTC for licences for two new channels in central Alberta, in Calgary and Edmonton.

Our Specialty channels are top performers in Canada, with exceptional performance achieved by Bravo!, MuchMusic, and Space. We are consolidating the strength of our established Specialty

channels and embracing new technology by introducing new Specialty digital channels to bolster our position as a leading national provider in this new market. CHUM's digital channels are performing to our expectations. We anticipate Drive-In Classics to be profitable by next year, and CourtTV should be the first digital service in Canada to reach the one-million-subscriber milestone.

Building on the success of our MuchMoreMusic brand, we expanded our music services roster with MuchMoreRetro, a new digital channel dedicated to music videos of the '80s and '90s that launched in September 2003.

Looking Ahead

CHUM's radio, television and new media brands are among Canada's strongest, and getting stronger. We know and understand the needs of our listeners, viewers, advertisers and other business partners. One of our key strengths lies in our strategically created brands, which we deliver to radio listeners and television viewers every day in local communities across Canada and in selected international markets. Our success is embedded in our original content, which we create and own, and in our ability to connect with our key stakeholders. We deal with all stakeholders with respect and integrity, and our connections reinforce our commitment to our communities, adding long-term value to our business.

We also benefit from the superior experience and expertise of our management and staff, who infuse our business with their passion, creativity and dedication.

CHUM is not all things to all people. Our approach is strategic, selective and targeted. Where we do operate, we will be leaders and innovators, building lifelong connections with our audiences, and forging deep and enduring relationships with our communities. We are dedicated to nurturing diversity, talent, creativity and innovation, creating workplace environments that foster respect, and delivering consistent, superior financial performance to our shareholders.

The past year has been a strong one for us, but we are eagerly looking forward to the work that lies ahead. I am confident we will continue along our current path of achievement, growth and stability, reaching new heights and building on the accomplishments of this great company.

JAY SWITZER

President and Chief Executive Officer

26%

CHUM Radio recorded margins of 26% in 2003, up from 15.1% in 2002.

STRONG AND STEADY PERFORMANCE

CHUM Radio delivered a strong financial performance in 2003. With increased operating efficiencies, improved economies of scale and more effective cost management, our FM stations continued to drive profitability and our AM stations have grown consistently stronger. We have focused on creating opportunities to build revenue and improve service to our clients.

Our strategy focuses on developing market-leading stations, and identifying expansion opportunities for our existing station clusters in well-established markets, as well as entering new markets that have significant growth potential.

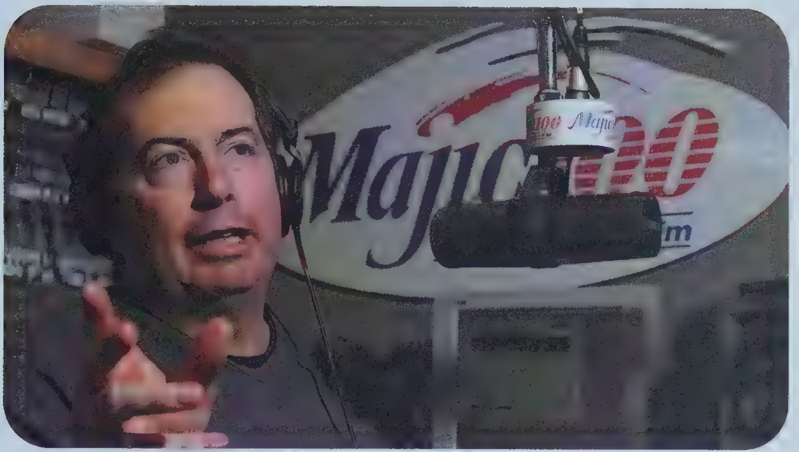
More than 3.5 million Canadians tune in to a CHUM radio station every week.

CHUM Radio builds strong audiences by delivering branded, carefully researched formats and compelling programming customized to local needs and designed to reach the largest possible audience.

More than 3.5 million Canadians tune in to a CHUM radio station every week.

Highlights

- CHUM Radio margins increased from 15.1 percent in 2002 to 26 percent in 2003.
- Our proprietary CHUM Selling System was extended this year across the division, enhancing our sales capability for delivering flexible and innovative marketing solutions for our clients.
- CHUM Radio FM stations remained market leaders in 2003, ranking either first or second in target audience demographics. We deliver well-researched, innovative programming formats that meet the needs of our advertisers. For example, the CHUM-developed BOB format is now the fastest growing format in Canada. We have successfully established BOB-FM in four key markets: Ottawa, London and Winnipeg and, most recently, Brockville.
- We continued to invest in our AM stations by strengthening our programming formats, and are pleased with the results. CHUM Radio's local all-sports format for Team 990 Montreal, Team 1200 Ottawa, and Team 1040 Vancouver is resonating with audiences. In 2003, these stations gained revenue share, while delivering significant sports marketing opportunities to our advertisers in these locales.
- While many of our AM stations feature music – Oldies or Adult Contemporary – some excel as market-leading talk radio stations. CFRA-AM in Ottawa, CKLW-AM in



Popular MAJIC 100 morning host Kevin Nelson on Ottawa's #1 rated morning show.

Windsor, and CFUN-AM in Vancouver, the first Canadian talk radio station specifically targeting women aged 25 to 44, are among our successes.

- We are also actively pursuing strategic growth opportunities to strengthen programming reach and build our share of local markets. CHUM Limited and Milestone Media Broadcasting Ltd. have filed an application with the CRTC for an Urban-format FM radio station in Edmonton, Alberta.

Looking Ahead

CHUM Radio will continue to create highly recognizable, CHUM signature-styled programming formats that heighten the visibility, marketability and competitiveness of our stations in local markets. At the same time, we will explore new opportunities, as they occur, to enhance the value of our programming formats.

We will continue to realize gains by increasing operating efficiencies through station clusters, by broadening our audience base for advertisers and by leveraging our competitive advantage in local markets.

CHUM remains focused on establishing market-leading stations, and we are poised to drive profitability and growth in 2004 with further operating efficiencies and well-planned strategies for expansion.

Page 12: Tara McGuire and Terry Reid, morning hosts at 103.5 QM FM Radio, Vancouver's #1 station for women.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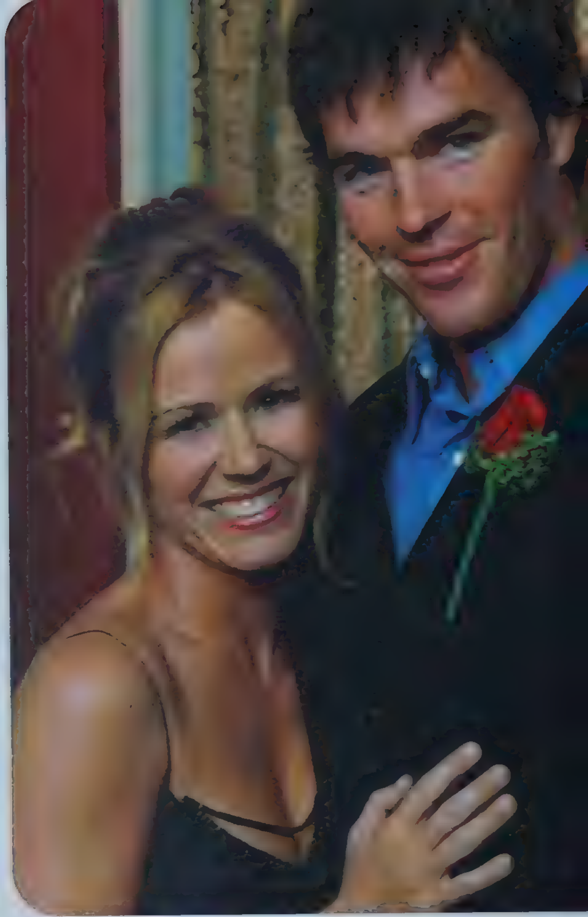

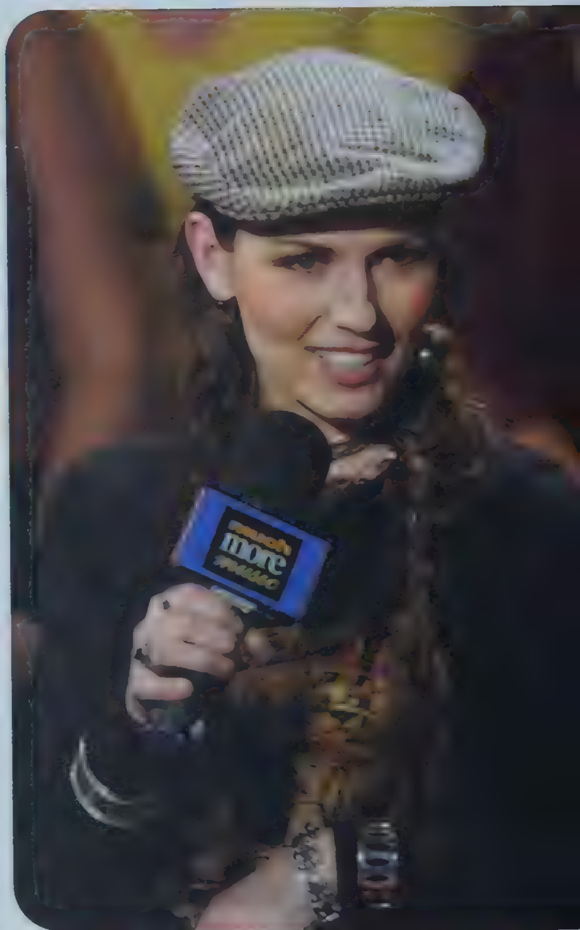
more

15%

Advertising sales revenue for CHUM Television increased by 15%, exceeding industry averages.

IMPRESSIVE PERFORMANCE, SOLID RESULTS

CHUM Television turned in an impressive performance in 2003, delivering solid financial results. We successfully leveraged our highly original content, our sales and marketing expertise, and our heightened operational efficiencies to bring significant gains to the bottom line and enhance profitability.

CHUM continues to stand out in today's increasingly competitive television world by setting the gold standard for unique, successful brands and brand extensions that are strategically leveraged across all CHUM platforms. Our channels deliver the most desirable, intensely concentrated and hard-to-reach niche audience demographics to advertisers. Our digital channels, launched in 2001, are highly valued assets and a key source of future growth.

Almost 21 million Canadians tune in to a CHUM Television station every week.

Highlights

- Television advertising revenue increased by 15 percent, exceeding industry averages in the most competitive television market ever. Subscription revenue was up 11.8 percent from 2002.
- New media online advertising revenue grew 20 percent, driving profitability to a record 25 percent over the previous year.
- Citytv Toronto advertising revenue rose 16.2 percent – a remarkable achievement given increased local competition and continuing erosion of viewer numbers for Conventional channels industry-wide. The series finale of *Joe Millionaire* brought in the highest level of viewership in the station's 31-year history. Also, the station became the first in Canada to receive a licence to operate a digital over-the-air signal in High Definition.
- CHUM Television's NewNet local Conventional stations continue to show increased profitability.
- CHUM filed applications with the CRTC for two new Conventional television licences in Calgary and Edmonton, Alberta.
- We continue to maximize carriage of CHUM's growing stable of eight Conventional stations, which are now available nationally through cable and Direct-to-Home satellite services.

Hosts of Citytv's *Breakfast Television*, Toronto's #1 morning show, Kevin Frankish and Liza Frommer.

- CHUM's established Specialty channels remain industry leaders, delivering desirable niche demographics to marketers. MuchMusic reaches higher concentrations of the coveted 12 to 34 age demographic in Canada than any other Canadian Specialty network, or television program, and Space continues to be the most-watched Specialty channel in Canada, excluding sports.
- Our roster of Specialty digital channels expands CHUM Television's national presence and performs to our expectations. MuchMoreRetro, our newest channel, was launched in September 2003.
- We continue to leverage our success and expertise in Canada through international sales of original programming.

Looking Ahead

CHUM Television is enhancing and expanding our television business. In 2004, we will work to maximize the performance of our Conventional channels with improved overall cost management, and selective enhancements to our existing stations.

We have a formidable collection of strong brands and original content, and are well-positioned to stay competitive in the rapidly expanding television marketplace. With our strategic mix of established Conventional and Specialty analog channels, and emerging Specialty digital channels, CHUM is very confident of our ability to generate superior financial performance, to drive growth and enhance long-term shareholder value.

Page 16:

1) Canadian superstar Avril Lavigne shows her support for the home team at the 2003 MuchMusic Video Awards.

2) Together forever: Trista and Ryan on Citytv's smash hit *The Bachelorette*.

3) Citytv Vancouver news anchor Simi Sara.

4) International star Shania Twain chats on her MuchMoreMusic TV special broadcast live across Canada.

CHUM LIMITED

RADIO

AM & FM

HALIFAX, NOVA SCOTIA

CJCH (AM 920 CJCH)

C100-FM (C One Hundred FM)

CIEZ-FM (FM 96.5) (50%)

MONTRÉAL, QUÉBEC

CKGM (Team 990)

OTTAWA, ONTARIO

CFRA (580 CFRA)

CKKL-FM (93.9 BOB-FM)

CFGO (Team 1200)

CJMJ-FM (Majic 100)

BROCKVILLE, ONTARIO

CFJR-FM (104.9 JR FM Hometown Radio)

CJPT-FM (103.7 BOB-FM)

KINGSTON, ONTARIO

CKLC (1380 CKLC All Time Favourites)

CFLY-FM (FLY FM)

PETERBOROUGH, ONTARIO

CKPT (1420 Memories)

CKQM-FM (Country 105)

LINDSAY, ONTARIO

CKLY-FM (Y92)

TORONTO, ONTARIO

CHUM (1050 chum)

CHUM-FM (104.5 CHUM-FM)

KITCHENER, ONTARIO

CKKW (Oldies 1090)

CFCA-FM (105.3 KOOL-FM)

LONDON, ONTARIO

CHST-FM (103.2 BOB-FM)

WINDSOR, ONTARIO

CKLW (AM 800 CKLW)

CIDR-FM (Lite Rock 93.9 FM)

CKWW (580 Memories CKWW)

CIMX-FM (89X)

WINNIPEG, MANITOBA

CFRW (Oldies 1290)

CHIQ-FM (Q94 FM)

CFWM-FM (BOB-FM)

VANCOUVER, BRITISH COLUMBIA

CFUN (1410 C-FUN)

CHQM-FM (103.5 QM FM)

CKST (Team 1040)

TELEVISION

CONVENTIONAL

VICTORIA & VANCOUVER ISLAND/
LOWER MAINLAND, BRITISH COLUMBIA

CIVI-TV (The New VI)
CKVU-TV (Citytv Vancouver)

TORONTO, OTTAWA AND SOUTHERN ONTARIO

CITY-TV (Citytv Toronto)

WINDSOR, ONTARIO

CHWI-TV (The New WI)

LONDON, ONTARIO

CFPL-TV (The New PL)

WINGHAM, ONTARIO

CKNX-TV (The New NX)

OTTAWA/PEMBROKE, ONTARIO

CHRO-TV (The New RO)

BARRIE AND CENTRAL ONTARIO

CKVR-TV (The New VR)

SPECIALTY

TORONTO, ONTARIO

Bravo!
CablePulse24 (70.1%)
Drive-In Classics
FashionTelevisionChannel
MuchLOUD
MuchMusic
MuchMoreMusic
MuchMoreRetro *(Launched Sept. 4, 2003)*
MuchVibe
SexTV
Space
Star!

MONTRÉAL, QUÉBEC

MusiquePlus (50%)
MusiMax (50%)

EDMONTON, ALBERTA

ACCESS (60%)
BookTelevision: The Channel (60%)
Canadian Learning Television (60%)
CourtTV Canada (60%)

NON-BROADCAST UNITS

CHUM Radio Sales
CHUM Satellite Services
CHUM Television Interactive
CHUM Television International
The Learning Annex (42%)

INVESTING IN OUR COMMUNITIES

CHUM Limited has a strong commitment to public service and good corporate citizenship. All of our radio and television stations are strongly connected to their communities.

As a leading Canadian broadcast company, CHUM is committed to fostering a corporate culture that celebrates innovation, creativity and diversity. We are committed to promoting these values in our workforce and the workplace, in our broadcast programming, and in all of our operations and activities, as well as in the causes we support.

Our company and its dedicated and talented employees play a leading role in supporting the goals of diverse organizations across the country and in strengthening the local communities we serve. CHUM develops strategic partnerships to help community organizations achieve their communication goals and fundraising objectives. We contribute our expertise, talent, and multi-platform media resources to strengthen local communities and to further the public interest. We increase public awareness and help raise funds for campaigns in support of social issues that matter to communities across Canada.

Here are some examples of the numerous local and national initiatives CHUM supported in 2003:

Innoversity Creative Summit on Diversity in the Media

For the second consecutive year, CHUM successfully sponsored a major conference designed to foster a more inclusive media culture.

Team Radio Ottawa Annual Sports Collectibles Auction

Team 1200 Ottawa helped raise over $30,000 for the Candlelighters Childhood Cancer Trust through the Ottawa Senators Foundation at its fourth annual auction.

CHUM Television Homework Club

CHUMWorks, a tutoring and mentoring program designed to benefit inner-city kids, was launched by CHUM Television and Frontier College, a national literacy organization. CHUM Television employees partner with children for weekly, one-on-one homework sessions at our headquarters in Toronto.

CHUM Charitable Foundation

The CHUM Charitable Foundation is dedicated to providing financial assistance to charitable organizations and social service agencies. The CHUMCity Christmas Wish, the Foundation's major annual event organized in conjunction with Toronto Social Services, helped over 580 community agencies in 2003.

Media Education

CHUM Television's commitment to media education is a major public service initiative that was established almost 20 years ago. We provide support for educators to help them teach students about the media, and promote the importance of being media literate to our audiences.

Our commitment to encouraging a better understanding of the media continued in 2003 with CHUM sponsorships, grants, scholarships and original programming.

The CHUM Television Media Literacy Centre – the first of its kind in North America, created in partnership with the London Public Library – was honoured with Industry Canada's LibraryNet Best Practices Award for innovative Canadian community partnerships promoting lifelong learning.

CHUM produces award-winning media literacy and social issues programs that are also requested by prestigious organizations for research purposes. This year, *A MuchMusic Special: Zambia* was requested by the Coping Centre for People Living With AIDS and the Africa-Canada Youth Symposium for Leadership in Development, organized by the world-renowned Coady International Institute. Also, *MuchTalks: The Bully Factor* was requested by the Canadian Teachers' Federation for their national conference in Ottawa on bullying.

Scanning Television 2, a major new media literacy project sponsored by CHUM and featuring CHUM programming, received a Platinum award at the Houston International Film and Video Festival, as well as top prize for educational material at the 2003 Association for Media and Technology in Education in Canada conference. A Japanese version has recently been launched and plans for U.S. distribution are underway.

In 2003, CHUM continued to be a Silver Patron of the Media Awareness Network, Canada's globally recognized not-for-profit organization that promotes media education in schools, homes and communities through its award-winning website.

All of our CHUM television and radio stations are connected to their communities.

2003

Certain statements contained in this Management's Discussion and Analysis, or incorporated by reference herein, are "forward-looking statements" and are prospective. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Many of these factors are beyond the control of the Company. Consequently, all forward-looking statements made in this Management's Discussion and Analysis or the Company's documents referred to herein are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.

CORPORATE PROFILE

CHUM Limited, one of Canada's leading media companies and content providers, owns and operates 30 radio stations, eight local television stations and 18 specialty channels, as well as an environmental music distribution division. Through its international licensing arrangements and joint ventures, the Company's original content is seen in over 120 countries worldwide. CHUM content is also provided to online audiences on new media platforms, including interactive television, wireless services and exclusive CHUM-branded Internet properties. The shares of CHUM Limited trade on the Toronto Stock Exchange under the ticker symbol: CHM/CHM.B.

SHARE CAPITAL

On July 14, 2003, the Company and Allan Waters Enterprises Limited, a private corporation owned by certain members of the Waters family, sold to a syndicate of underwriters, led by TD Securities Inc., 2,100,000 and 59,400 Non-Voting Class B Shares, respectively, at a price of $50.50 per share. The offering was made by means of a short form prospectus and was filed in all provinces of Canada. The aggregate gross proceeds to the Company amounted to $106.1 million. Together with the 59,400 Non-Voting Class B Shares sold by Allan Waters Enterprises Limited as part of the offering, the aggregate gross proceeds of the offering amounted to $109.1 million. The net proceeds received by the Company after deducting the underwriters' fees and expenses of the offering amounted to $101.3 million. These proceeds were used to reduce indebtedness owed to the Company's lenders under its credit agreement (See "Liquidity and Capital Resources").

OPERATING RESULTS

Financial highlights for the twelve months ended August 31, 2003 are as follows:

	Twelve Months Ended August 31		Three Months Ended August 31 (not audited)	
(in thousands of dollars, except per share amounts)	**2003**	2002	**2003**	2002
Revenue (less agency commissions)	$ 540,509	$ 479,939	$ 127,650	$ 116,704
Operations expenses	460,596	428,518	116,365	111,318
Earnings (loss) before income taxes and minority interest	44,162	26,938	3,419	(4,768)
Net earnings (loss) for the period	25,429	14,130	2,029	(4,035)
Net earnings (loss) per share	$ 2.13	$ 1.21	$ 0.16	$ (0.35)

Consolidated revenue for the twelve months ended August 31, 2003 increased by 12.6% when compared with fiscal 2002. Revenues for the fourth quarter ended August 31, 2003 were ahead of those for the corresponding quarter in fiscal 2002 by 9.4%. Net earnings for fiscal 2003 amounted to $25.4 million, or $2.13 per share compared with $1.21 per share for the corresponding period last year. Fiscal 2002 net earnings include a gain on an exchange of assets that amounted to $6.3 million net of future income taxes of $3.4 million or 54¢ per share. Net earnings excluding this exchange of assets gain for fiscal 2002 were 67¢ per share. Net earnings from operations for the three months ended August 31, 2003 were $2.0 million, or 16¢ per share compared with a net loss of $4.0 million, or 35¢ per share last year.

Business Segment Information

	Twelve Months Ended August 31		% Growth	Three Months Ended August 31 (not audited)		% Growth
(in thousands of dollars)	**2003**	2002		**2003**	2002	
Revenue (less agency commissions)						
Television	$ 410,419	$ 356,579	15.1%	$ 96,052	$ 83,672	14.8%
Radio	118,430	111,524	6.2%	28,719	30,024	-4.3%
Other	11,660	11,836	-1.5%	2,879	3,008	-4.3%
	540,509	479,939	12.6%	127,650	116,704	9.4%
EBITDA[1]						
Television	$ 60,051	$ 44,150	36.0%	$ 4,535	$ 2,071	119.0%
Radio	31,260	16,821	85.8%	8,383	3,761	122.9%
Other	(11,398)	(9,550)	19.4%	(1,633)	(446)	266.1%
	79,913	51,421	55.4%	11,285	5,386	109.5%

[1] EBITDA is defined as earnings before interest, income taxes, depreciation, minority interests, interest and other income, and gain on exchange of assets. This supplementary earnings measure does not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other companies nor should it be viewed as an alternative to net earnings. It is a measure utilized by investors in determining the ability of the Company to generate cash from operations and cover financial charges.

Radio revenue for the year ended August 31, 2003 amounted to $118.4 million, an increase of $6.9 million or 6.2% when compared with the corresponding period last year. These increased revenues in fiscal 2003 exceeded the Company's expectations. Through to the end of the third quarter in fiscal 2003, the Company's radio advertising sales were 10.1% ahead of sales for the corresponding period last year. For the nine months ended May 31, 2003 the Company's radio sales growth was ahead of growth reported in Trans-Canada Radio Advertising by Market Report (TRAM), released by the Radio Marketing Bureau, which reports radio sales for major and some medium markets across Canada. Growth in the radio sector according to TRAM was mostly high single digits until May 2003 when the Company's radio sales also appeared to be losing momentum. Growth from May to August 2003 was in the low single digits bringing the overall average increase for the year for the radio industry as reported by TRAM down to 6.5%. While the Company's sales kept pace with industry averages reported by TRAM for the fourth quarter in the markets in which it operates, the Company's sales were not buoyed by the higher industry averages experienced in the Alberta market (where the Company has no radio stations). In an economic environment that was sluggish at best, many of the Company's stations in Ontario were also affected by SARS, mad cow and the blackout.

For fiscal 2003 the broadcasting industry's total television advertising sales increased 8.4% according to the Time Sales Summary Report (TSS Report) from the Television Bureau. CHUM Television's total sales increased 15.1%. The Company's specialty television sales growth was almost identical to the industry average at 15.2%. Most dramatic, was the conventional television increase of 15.0% versus a national/local spot average of 7.4%. CHUM's increase in conventional sales was primarily due to the performance of Citytv Toronto. The improved performance of CHUM Television can also be attributed to improved account service and inventory yield management. Sales for the year remained strong in the fourth quarter for both conventional and specialty channel groups. Conventional television gained 13.5% and specialty television was up 15.9% in the quarter when compared with the fourth quarter of fiscal 2002. While all stations performed well, sales were particularly strong at Citytv Toronto. Excluding the revenues of Citytv Vancouver, CIVI-TV, Victoria, and the new digital specialty channels that did not operate for a full twelve months in fiscal 2002, the Company's television revenues increased 12.1% over fiscal 2002.

The Company's operations expenses increased in fiscal 2003 to $460.6 million, up $32.1 million from $428.5 million or 7.5% when compared with last year. Approximately 69% of the Company's total operations expense comprises employee remuneration and benefits, together with purchased programming costs. The remaining 31% includes other programming costs, regulatory licensing fees, technical facilities, maintenance costs, distribution, research, advertising, general administration and overhead expenses. Total remuneration has increased in fiscal 2003 in line with the Company's expectations of 5.9% for non-sales staff and 13.1% for sales staff and is in line considering the increase in sales for this fiscal year. Total increased remuneration for the twelve months ended August 31, 2003 was $15.5 million when compared with the same period last year. Television purchased programming amortization expense increased $16.4 million for the twelve months ended August 31, 2003 – an 18% increase when compared with the amortization in the previous fiscal year. The following should also be considered:

- Radio operations expense decreased 8% when compared with the corresponding period last year. The Company's decision at the end of fiscal 2002, to discontinue the operations of The TEAM sports radio programming on six of the nine AM radio

stations carrying the service, has significantly reduced radio's operations expenses. The six AM radio stations that discontinued sports programming all moved to a music format, a format where operating costs are considerably lower when compared with a talk radio format. The decrease in operating expenses noted above is entirely related to sports programming being discontinued in August 2002.

- Operations expense for conventional and specialty television increased by 12.1% when compared with operations expense for the corresponding period last year. Operations expense increase for comparable television properties of the Company operating for the entire twelve months in both fiscal 2003 and 2002 was 10.2%. The balance of the television operations expense increase is from Citytv Vancouver, CIVI-TV, Victoria, and the new digital specialty channels that did not operate for a full twelve months in fiscal 2002.

- Other operations expense includes an increase in pension costs of $1 million related in part to a funding shortfall, on a solvency basis, in the CHUM employees' pension plan and in part to a change in certain actuarial assumptions underlying the plan. The amount of any pension related costs expensed by the Company in any fiscal year depends, in part, on capital market conditions.

Depreciation expense in fiscal 2003 increased over the prior year's charge by $1.7 million. This increase in depreciation expense is primarily attributable to capital spending projects for the new digital specialty channels and CIVI-TV, Victoria as construction was completed at the beginning of fiscal 2002 and depreciation for fiscal 2002 was calculated according to the Company's policy of using 50% of declining balance rates in the initial year of putting new capital assets into operation. In fiscal 2003, these capital assets were depreciated at full rates.

In fiscal 2003 interest expense decreased to $11.8 million from $12.2 million the previous year. As mentioned above under the heading "Share Capital", on July 14, 2003, the Company raised net proceeds of $101.3 million through the sale of 2,100,000 Non-Voting Class B shares. These proceeds were used to reduce indebtedness owed to the Company's lenders under its credit agreement. This repayment of debt together with additional repayments during fiscal 2003 totalling $20 million resulted in the reduction of the Company's interest charges for the year. The reduction was also attributable to the lower effective interest rates for fiscal 2003. The effective interest rates for the year ended August 31, 2003 were 5.2% and 4.7% (2002- 5.4% and 5.1%) for the operating and term loan facilities, respectively. The lower interest rates are a result of the Company's improved results in fiscal 2003 when compared with fiscal 2002, which led to a reduction of 75 basis points on the interest rates payable on the Company's credit agreement loans during the year. Such credit agreement provides for interest rate margins that fluctuate based on the ratio of the Company's consolidated indebtedness to consolidated EBITDA.

Operating income for fiscal 2003 amounted to $44.2 million, compared with $17.2 million last year, an improvement amounting to 157%. Improved sales, improvement of operating margins at many of the Company's broadcasting divisions, and lower interest charges have all contributed to this solid operating performance in fiscal 2003.

Net earnings for fiscal 2003 amounted to $25.4 million compared with $14.1 million in fiscal 2002, an increase of $11.3 million or 80.1%. Net earnings for fiscal 2002 included a gain of $6.3 million ($9.7 million net of future income taxes of $3.4 million) that resulted from the exchange of certain local radio assets whereby the Company acquired CFWM-FM, Winnipeg in exchange for CHOM-FM, Montreal. The Company also received a cash consideration of $8 million in connection with that transaction.

The effective income tax rate in fiscal 2003 of 40.7% was down from 45.8% charged in fiscal 2002. The lower rate was a result of statutory rate decreases experienced over the past year. Also contributing to the lower income tax rate in fiscal 2003, is the large corporations tax charge for the year being a smaller component of the overall income tax charge for fiscal 2003 when compared with fiscal 2002. The increased income tax expense for the year ended August 31, 2003 over that charged in fiscal 2002 is a direct result of the Company's improved earnings in fiscal 2003 which more than offset the income tax rate reduction.

Earnings per share (EPS) for both Class B and common shares for fiscal 2003 was $2.13, calculated on the weighted average number of shares outstanding for the year of 11.9 million. The EPS for fiscal 2002 was $1.21, based on the weighted average number of shares outstanding of 11.6 million. Excluding the fiscal 2002 gain on the exchange of assets noted above, earnings per Class B and common share would have been $0.67 for the year ended August 31, 2002.

QUARTERLY INFORMATION

(not audited, except totals)

(in thousands of dollars except per share amounts)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2003					
Revenue – less agency commissions	$ 149,044	$ 120,899	$ 142,916	$ 127,650	$ 540,509
EBITDA	31,853	10,452	26,323	11,285	79,913
Net earnings (loss)	13,556	(50)	9,894	2,029	25,429
Net earnings (loss) per Class B share and per common share	1.17	(0.01)	0.85	0.16	2.13

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2002					
Revenue – less agency commissions	$ 123,557	$ 108,400	$ 131,278	$ 116,704	$ 479,939
EBITDA	20,441	3,436	22,158	5,386	51,421
Net earnings (loss)	7,658	3,134	7,373	(4,035)	14,130
Net earnings (loss) per Class B share and per common share	0.66	0.27	0.63	(0.35)	1.21

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities before change in non-cash balances related to operations increased by $17.4 million to $49.7 million or $4.17 per share, compared with $32.3 million or $2.78 per share last year.

Short-term program rights increased by $13.6 million and short-term program rights payable increased by $8.3 million in fiscal 2003 for a net use of cash of $5.3 million for fiscal 2003. This, together with an increase in long-term program rights, net of the decrease in long-term program rights payable, has used $3.2 million cash. At year-end, the Company had reported total liabilities and future commitments for the purchase of program rights estimated at $168.1 million for the years ending August 31, 2004 to 2007. The Company continues to resell certain of these rights to non-competing Canadian broadcasting operations, including specialty and conventional television. The proceeds from the sale of these rights continue to offset the cost of the total purchase price. These offsets are becoming less significant, as the Company retains a greater portion of these program rights for its own use in its recently acquired television properties in British Columbia.

Total expenditures, net of proceeds on disposals, made to acquire fixed assets during the year amounted to $20.3 million compared with $35.5 million last year. These capital expenditures were primarily for the normal replacement of, and improvements to, broadcasting and other equipment during the year together with expenditures at the CHUMCity Building at 299 Queen Street West and the building at 260 Richmond Street West, Toronto to expand automation and to improve efficiencies. The three-year facilities improvement program at these locations (originally scheduled for completion as at August 31, 2003) has been extended in recognition of the continuing need, on an annual basis, to ensure that the Company's technical and production facilities are maintained at the high levels necessary to meet the Company's quality broadcasting objectives. The higher expenditures in fiscal 2002 resulted from the completion of equipment purchases for the New VI and the new digital specialty channels.

Effective February 28, 2003, the Company completed the purchase of assets of Vancouver radio station CKST-AM 1040 at a price of $1.6 million. The purchase was financed through the Company's cash flow. In fiscal 2002, acquisitions cost, net of cash acquired, amounted to $129.9 million for the purchase on October 31, 2001 of CHUM Television Vancouver Inc. (i.e., CKVU-TV, currently called Citytv Vancouver) and was funded through bank financing.

During the fiscal year ended August 31, 2002, the Company entered into a syndicated loan agreement with a number of major Canadian banking institutions, providing for revolving operating and term loan facilities, aggregating $300 million, on an unsecured basis. The credit facility provides for interest based on the floating rates and includes covenants requiring the Company to maintain certain financial ratios. The Company is in compliance with all such covenants. The operating facility is repayable in April 2005, unless extended in accordance with the agreement, and the term facility also matures in April 2005. The purchase price for the Company's acquisition of CHUM Television Vancouver Inc. was funded through financing under the Company's previously existing credit agreement which was replaced by this credit agreement.

Financing activities during the 2003 fiscal year included the successful offering of 2,100,000 Non-Voting Class B shares raising net proceeds of $101.3 million after payment of underwriters' fees and expenses of the offering. These proceeds were used to reduce indebtedness owed to the Company's lenders under its credit agreement. Subsequent to the completion of the offering, the Company gave notice to its lenders for a $50 million reduction of the revolving term loan facility under the Company's

credit agreement. The remaining $250 million credit facility ($135 million of which remains available to be borrowed) is expected to be sufficient to provide enhanced flexibility to finance strategic opportunities as they arise.

In fiscal 2003, the Company declared and paid a regular quarterly dividend of $0.02 per share and a special dividend of $0.14 per share to holders of its Class B shares. The common shareholders received a regular annual dividend of $0.08 per share and a special dividend of $0.14 per share. These dividends for fiscal 2003, totaling $0.22 per share for Class B and common shares, were unchanged from fiscal 2002. However, total dividends paid increased by $337,000 as a result of the 2,100,000 Non-Voting Class B shares issued on July 14, 2003, the holders of which participated in the regular quarterly dividend of $0.02 per share and the special dividend of $0.14 per share payable to shareholders of record at the close of business on August 15, 2003.

CURRENT AND FUTURE OPERATIONS

Our Strategies and Objectives

Over the past several years, CHUM Limited has generated stable earnings from its core businesses, allowing the Company to internally fund operations and significantly expand the business. The Company introduced new specialty services and increased its radio properties, together with other initiatives, prior to fiscal 2001. This was accomplished with minimal borrowing required for the higher capital expenditures.

In its 2002 fiscal year, CHUM Limited significantly increased its debt load to support construction of the new conventional television station in Victoria, B.C. (CIVI-TV), the cash purchase of a conventional television station in Vancouver, B.C. (Citytv Vancouver), and the launch of seven new digital specialty channels. While this expansion somewhat restricted financial flexibility, it helped the Company improve its size and scale of economics.

During its 2003 fiscal year, the Company turned to the equity markets to raise funds to provide additional financial flexibility. As indicated above, the Company completed an offering of 2,100,000 Class B Shares on July 14, 2003, generating net proceeds of $101.3 million which it used to reduce outstanding bank indebtedness.

The Company will continue to develop and leverage the CHUM brand by seeking new opportunities and will focus on assets that are consistent in quality and that expand the Company's listenership and viewership audiences. Although these initiatives may carry short-term risk, the Company remains focused on these strategies in order to achieve its long-term objectives of value, security and growth.

The Company continues to work towards improving operating margins in the conventional television properties, increasing performance at its recently acquired stations, minimizing operating losses on AM radio and reducing losses on digital channels, reducing loan balances through improved cash flow from operations, minimizing the impact of new competitors in the television areas in British Columbia and Ontario, looking for increased radio/television cross-promotion and sales opportunities and looking for growth opportunities in selective markets. The Company seeks to maintain stable growth with the support of a strong balance sheet.

Among the Company's priorities, CHUM Limited is focused on improving its operating income before depreciation, amortization, interest, other income and taxes. Factors that have put pressure on margins in recent years include:

- Ongoing integration efforts for acquisitions
- Losses from newer businesses.
- Start-up costs for new television and radio stations.
- Restructuring and reformating costs.

These are normal consequences of the types of acquisitions and new business activities in which the Company has been involved over the last several years, the effect of which is expected to lessen as these new operations are assimilated by the Company. The results for the Company's 2003 fiscal year demonstrate that these expectations are being fulfilled.

Recent Developments

During fiscal 2003, CHUM Limited's FM radio stations continued to be market leaders across Canada. Most of the Company's FM stations are number one or two in their target demographic.

Results for fiscal 2003 also reflect the successful impact of the Company's decision to dissolve the TEAM network concept at the end of August 2002, while maintaining the All-Sports Talk format in Vancouver, Ottawa and Montreal. While Talk radio takes longer to establish a market position, once established, it normally enjoys a sustainable competitive advantage and these stations are showing good rating and revenue growth. CHUM AM stations which reverted to a music-based format have re-established themselves with a local focus in their respective markets.

CHUM continues to research and identify new sustainable targeted programming formats to serve the Company's listeners. "BOB", a program format launched in Winnipeg in early 2002, is a classic Hits/Top 40 hybrid format geared to the 35-44 year old population. The format has been number one in reach, share and hours tuned in the very saleable 25-54 demographic in the Winnipeg market since its inception. Variations of the format specific to their individual markets were launched in London, Ottawa and Brockville over this past summer. While still early, indications are that these stations should also capture a very significant market position. While the launch of new formats usually requires substantial investment capital, the Company was able to introduce the "BOB" format with limited impact on its costs.

CHUM Television continues to grow and mature as a group and on a station-by-station basis. During the 2003 fiscal year, efforts to meet the Company's strategic goals and objectives were reflected in a number of achievements. The Company's television business in British Columbia continued to grow in terms of sales. However, softness in the Vancouver market affected the Company's ability to achieve budgeted loss for Citytv Vancouver. Citytv Vancouver completed its first full year of the Citytv format. Morning shows produced by Citytv Toronto, The NewRO and The NewPL all ranked number one in their markets. The Company's new digital specialty channels performed better than expectations and showed losses considerably below budget. Citytv Toronto received the first Canadian Digital Broadcast licence to deliver an over-the-air high definition television signal.

As previously reported, CHUM Limited filed applications with the Canadian Radio-television & Telecommunications Commission ("CRTC") for two new private over-the-air television "Citytv style" stations in Calgary and Edmonton (with a rebroadcast transmitter in Red Deer, Alberta) as well as an application for a new Urban-format FM radio station in Edmonton, in partnership with Milestone Media Broadcasting Ltd. The Company appeared before the CRTC to review these applications at hearings that commenced the week of June 16, 2003 in Edmonton, Alberta. The Company expects a decision from the CRTC on its Alberta applications within the first half of fiscal 2004. If successful, it is intended that these stations would launch in the Fall of 2004.

The Company's interactive division continues to develop revenue-generating opportunities in the online and interactive television space. The WINK interactive technology for digital set top boxes was launched for Citytv and MuchMusic. WINK is an enhanced television application that allows television viewers with an enabled set top box to click on an icon that appears on their television

screens in order to access enhanced content and commercials as well as commerce opportunities. The WINK application continues to be supported by the Company's advertising clients throughout the year and user traffic continues to grow with MuchMusic and Citytv Toronto.

The Company also became the first Canadian broadcaster to launch Premium SMS (short message system) when it used the system for voting for the MuchMusic Video Awards. SMS allows television viewers to send short text messages directly from their cellular phones to the television station in order to vote on the outcome of awards programs.

CHUM Television is currently producing its first Feature Film, The MuchMusic Road Movie (working title), with funding from Telefilm Canada.

In March 2003, CHUM Television announced the expansion of its music services roster to include MuchMoreRetro. This new digital specialty service was launched September 4, 2003 on Bell ExpressVu and is dedicated to the music videos of the '80s and '90s. The service was subsequently added by Northwestel who receive their signals through Bell ExpressVu and is scheduled to be carried by Rogers and East Link by mid-November 2003.

Licence renewals will be filed with the CRTC for Citytv Vancouver and the NewVI in Victoria. Current terms end August 31, 2004.

On September 10, 2003, CHUM and NovaVision Communications Inc. ("NCI") entered into an agreement concerning the business carried on by NovaVision Multimedia Inc. (the "Corporation") in the Province of Quebec. CHUM held a 75% interest in the Corporation and agreed with NCI to split the business. NCI retained the corporate radio and telephony portions of the Business (the "NCI Business") and continued to operate the NCI Business through the Corporation. CHUM, on the other hand, retained the Muzak and business television portions of the business (the "CHUM Business") and is operating the CHUM Business through its division, CHUM Satellite Services. This transaction closed on September 20, 2003 and the operations of the NCI Business and the CHUM Business and the economic benefit and liabilities associated therewith were effective from April 1, 2003.

Other Developments

New Television Licences

Two new conventional television licences in the Toronto market awarded in April 2002 (Rogers launched Omni 2 in the Fall of 2002 and Craig Broadcasting's launch of Toronto1 on September 19, 2003) have added to the competition for advertising dollars and the Company is experiencing some increase in the cost of purchased programming. This added competition in the Toronto market could result in fragmented and/or reduced sales and consequently have a negative impact on Citytv, Toronto and The NewVR, Barrie. To date, Citytv and The NewVR, which would most likely be most affected by this increased competition, have not experienced any measurable negative revenue impact from the launch of these new conventional television stations. However, this will continue to put some pressure on the Company's ability to improve conventional television margins in Ontario.

Labour Matters

On June 16, 2003, CHUM received notice from the Canadian Industrial Relations Board confirming that the Communications, Energy and Paperworkers Union of Canada (the "CEP") had been certified to represent a group of CHUM's employees at The New PL/WI/NX. On June 23, 2003, CHUM received a notice to bargain from the CEP. These negotiations will commence in the next month. CHUM's collective agreement with the CEP with respect to its employees at Bravo! Canada, CityTV, MuchMusic, MuchMoreMusic, Space, Star!, Drive-In Classics, Fashion Television Channel, MuchLoud, MuchVibe, Sextv, CHUMCity Interactive, each of which are divisions of CHUM, and Pulse 24 expired on June 30,

2003. Negotiations are completed and the new 40-month collective agreement which expires October 31, 2006 was ratified on September 25, 2003. In addition, the collective agreement with the CEP with respect to employees at CHUM Television Vancouver Inc. expired on August 31, 2003. CHUM is currently negotiating a new contract. CHUM believes its relations with its employees are on good terms.

Digital Radio

CHUM Limited is a member of DRRI (Digital Radio Roll-Out Inc.), the Canadian digital radio consortium of private and public broadcasters mandated to implement full time DAB (digital audio broadcasting) services utilizing Ureka 147 technology in the L-Band. DAB is running on 57 stations in Toronto, Vancouver, Montreal and Windsor, making digital radio available to over 10 million people. On November 13, 2002, CHUM was among the successful applicants who received approval for transitional Digital Radio Undertaking (DRU) licences for Ottawa. These new DRU facilities are expected to be constructed within 24 months of approval.

DAB will be among the issues for discussion at the coming CRTC Radio Policy Review expected to be announced for the early Fall of 2004. However, the implementation of DAB is guided by the CRTC's Policy For Transitional Digital Radio Undertakings introduced on October 29, 1995. Under its terms, the CRTC will establish a long-term policy and licensing regime for DRUs following completion of an appropriate public process, separate from the proposed Radio Policy Review. CHUM Limited will continue to work closely with DRRI and the Canadian Association of Broadcasters (CAB) to provide critical input to each of these important public hearings.

Regulatory Developments

In general, CHUM participates in copyright royalties/tariffs and rights issues through its membership in the CAB, the national voice of Canada's private broadcasters, representing the vast majority of Canadian programming services, including radio and television stations, networks, and specialty, pay and pay-per-view services.

Radio Tariffs

The Copyright Board of Canada has certified the reproduction right tariff filed by the Canadian Musical Reproduction Rights Agency (CMRRA) and Société du droit de reproduction des auteurs, compositeurs et éditeurs au Canada (SODRAC). The tariff applies to a radio station's range of activities in making copies of musical works, for example, copying a CD to a computer hard drive.

The CAB opposed the CMRRA/SODRAC tariff and presented a case to the Copyright Board in the spring of 2002. The Board released its decision in March 2003, certifying a tariff in which the industry-wide impact of the tariff is estimated to be approximately $6.5 million, compared to the $16 million initially sought by the collectives. However, the CAB's position (with which CHUM agrees) is that while all creators are entitled to fair compensation for their work, this tariff is unfair, as there is no economic value resulting from transferring the format of music. In the context of the Section 92 review of the Copyright Act (see below for additional information), the CAB is pursuing an amendment to the Copyright Act to exempt radio broadcasters from liability for payment of royalties for purely mechanical reproductions.

The Copyright Board hearing for the Society of Composers, Authors and Music Publishers of Canada (SOCAN) and Neighbouring Rights Collective of Canada (NRCC) radio tariffs is scheduled to begin on May 18, 2004. The CAB is preparing a forceful case, opposing SOCAN's and NRCC's proposals for rate increases.

Television and Specialty, Pay and Pay-Per-View Tariffs

In spring 2003, the Copyright Board presided over the hearing for the conventional television tariff (SOCAN Tariff 2.A) and the specialty and pay services tariff (SOCAN Tariff 17.A). The CAB presented a strong

broadcaster case on behalf of conventional television stations, opposing SOCAN's proposal to increase the tariff rate from 1.8% to 2.1% and to abolish the modified blanket licence (MBL). With respect to the specialty and pay services tariff, the CHUM services represented themselves and collaborated with other specialty services to oppose SOCAN's proposal to increase the tariff rate. The Copyright Board's decision is expected before the end of 2003.

Legislative Reform

In June 2001, the government initiated the Section 92 review (mandatory review of the Copyright Act) with a copyright reform consultation process, in which CHUM, through the CAB, has been an active participant. In its submission filed this fall with the Standing Committee on Heritage, the CAB urged the rapid introduction of a complete exemption from copyright reproduction liability for radio stations (the basis of the CMRRA-SODRAC tariff), a statutory exemption from the private copying regime and the introduction of an exclusive right for broadcasters in their signals. In general, the CAB is pushing for a better balance in the Copyright Act between users and creators.

RISK FACTORS

The broadcasting business is subject to a number of risks and uncertainties discussed below. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations. If any such risks occur, the Company's business, financial condition and operating results could be materially adversely affected.

Impact of Regulation

Substantially all of the Company's business activities are regulated by the Canadian Federal Departments of Industry and Heritage under the supervision of Industry Canada and the CRTC and, accordingly, the Company's results of operations are affected by changes in regulations and decisions by these regulators. Such regulation relates to, among other things, licensing requirements for both the Company's radio and television stations. As one example, we anticipate that in 2004, the CRTC may consider the replacement of its transitional digital radio policy with a final policy. The CRTC released its transitional digital television licensing policy, covering issues such as priority carriage and simultaneous substitution. The Company believes that the digital television licensing policy provides a positive framework for the introduction of digital television broadcasting in Canada. The Commercial Radio Policy 1998 was also intended for review after five years. The Company expects a CRTC review next year to involve issues such as multiple licence ownership and Canadian content. The CRTC will also monitor the on-going transition or migration of analog to digital, as well as the introduction of interactivity.

Changes in the regulation of the Company's business activities, including decisions by regulators affecting the Company's operations (such as the granting or renewal of licences or amendments to existing licences, or granting of additional distribution, broadcasting or programming licences to competitors in the Company's markets) or changes in interpretations of existing regulations by courts or regulators, could adversely affect the Company's revenues.

The Company's radio and television broadcast licences continue to be in good standing and the Company continues to satisfy conditions of its broadcast licences. However, it is impossible to predict forthcoming changes in policies and regulations that could affect the competitive capability and business strategies of the Company. The Company's CRTC licences must be renewed from time to time and cannot be transferred without regulatory approval.

Dependency on Advertising Revenues

The Company depends on advertising as a material source of its revenue and its business would be adversely affected by a material decline in the demand for local and/or national advertising. The Company derived approximately 80% of its revenue in the twelve months ended August 31, 2003 from the sale of advertising, which is expected to continue to be a material source of the Company's revenue in the future. Advertising revenue fluctuates in response to consumer confidence, general economic conditions, a changing regulatory environment and viewership and, as a result, remains unpredictable. Most of the Company's advertising contracts do not extend beyond twelve months and some may be terminated by the advertiser on four weeks' notice. It is also well established that advertising dollars migrate to media properties that are leaders in their respective markets when advertising budgets are tightened. Continued weakness and/or instability in the global economy could cause a further decline in future advertising revenue.

In addition, expenditure by advertisers tends to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns outside of the Company's control. Although the majority of the Company's advertising revenue is derived from national advertising, its ability to generate local advertising revenue in specific markets could be adversely affected by local or regional economic downturns. Advertisers base a substantial part of their purchasing decisions on statistics such as ratings generated by industry associations or agencies. If the Company's ratings were to decrease substantially, the Company's advertising sales volumes and rates which it charges advertisers could be adversely affected.

Dependency on Broadcasting Distribution Undertakings

The Company is and will continue to be dependent on broadcasting distribution undertakings ("BDUs") (which include cable, direct-to-home satellite and multi-point distribution system distributors) for distribution of its conventional broadcast stations as well as its analog and digital specialty television services. As a result of industry consolidation in recent years, five BDUs generated approximately 84% of the Company's distribution revenues for specialty services for fiscal 2003.

The vast majority of the Company's distribution revenue is derived from licensed analog specialty services that have analog or equivalent rights of access to BDUs under the Broadcasting Distribution Regulations. There can be no certainty that such access rights will continue unchanged. The CRTC may undertake to create a framework for the orderly digital duplication and migration of analog licensed specialty services which, in the future, could provide subscribers with the additional option to "pick and pay" for individual analog services rather than acquiring them in a value bundle or package. In this case, the success of an individual analog service will be dependent on its wholesale pricing structure, the attractiveness of the programming offered, the resultant penetration of the services and the attendant advertising revenues generated by the specialty service.

BDUs offering programming services to the public using digital distribution technology are required by the CRTC to distribute the Category 1 digital specialty services; however, distribution for Category 2 digital specialty services must be negotiated with each individual BDU. The Category 1 and Category 2 distribution revenues accounted for approximately 14.5% of the Company's total distribution revenues from specialty services in fiscal 2003. If any of the Company's distribution agreements for its specialty

services were terminated and the Company was unable to renew agreements at least comparable to current terms, there could be a negative impact on digital subscription revenues.

The Company's licensed Category 1 and 2 digital specialty services that have yet to be launched will also be dependent on BDUs which make use of digital distribution technology. However, while the Company has received approval for 14 yet-to-be-launched Category 2 specialty services, and one French language Category 1 service, its launch of such services will depend on the Company's assessment of the business potential for each such service. Part of such assessment is a determination of the availability of suitable carriage arrangements and the Company will not launch such services if minimum carriage and reasonable distribution terms cannot be arranged. Moreover, the Company does not currently foresee an adverse impact on the business if distribution agreements for the yet-to-be-launched services are not arranged.

Specialty Television Industry

There can be no assurance of the economic success of any specialty television channel as revenues derived depend on distribution arrangements, subscriber penetration, audience and advertiser acceptance, all of which cannot be accurately predicted. Factors determinative of the success of a specialty television channel include not only the specialty television service's content, but also the reviews of critics, marketing and promotions, the quality and acceptance of other competing services, black market satellite signal theft, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors. Many of the factors determinative of the success of a specialty television channel could change rapidly and some are beyond the Company's control.

The success of the Company's eight launched digital specialty services depends, to a significant extent, on a sufficient number of subscribers to the services. Distribution of the Company's Category 1 and Category 2 specialty services is limited to only digital subscribers. Subscription revenues are dependent upon the number of households equipped to receive digital service, and the corresponding subscription levels and wholesale rates for these digital services. Further, the success of the Company's Category 1 and 2 services may be dependent on how these services are bundled or packaged by the BDUs with other digital specialty services in order to offer subscribers attractive and affordable programming packages. The initial subscriber base for digital services may be limited and the rate and extent to which the subscriber base will grow is uncertain. There can be no assurance that penetration rates that ensure the profitability of these services will be achieved. If penetration rates for these services do not reach acceptable levels, the Company's strategy for expanding its digital specialty channel business and its digital revenues may be adversely affected.

Competition

The Company's businesses face competition from entities using other communication technologies and may face competition from other future technologies being developed. The media industry is experiencing rapid and significant technological changes, which may result in alternative means of program and content transmission and which could have a material adverse effect on the business, financial condition or results of operation of the Company. For example, the continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Further, in each of the Company's broadcasting markets, industry regulators have authorized direct-to-home (DTH) and cable services, and, in some markets, multi-point distribution systems (MDS), and may authorize other alternative methods of transmitting television, radio

and other content with improved speed and quality. The Company may not be able to successfully compete with existing or newly developed alternative technologies or may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and the Company's ability to fund such implementation may be limited and could have a material adverse effect on its ability to successfully compete in the future. The Company's conventional and specialty television services also face competition from the illegal "grey market" and "black market" satellite services that broadcast unauthorized programming.

In addition, competition by other broadcasters is ever-present, and may be increased if the CRTC issues any new broadcast licences in an area where the Company currently holds a radio or television broadcast licence. In each of the Company's current markets, there are a number of competing radio stations and television channels. Recent regulatory and public policy trends favour the emergence of a more competitive environment. Added competition in the market could result in fragmented and/or reduced sales and/or an increase in costs to acquire programming and consequently, have a negative impact on the Company's revenues.

In particular, the specialty television industry in Canada is highly competitive. The number of specialty services licensed by the CRTC has substantially increased since 2000, with over 300 Category 2 digital services being licensed. This will have the effect of further fragmenting the television viewing audience and increasing competition for carriage, viewers, programming and advertising revenue. While the CRTC initially stated that it would consider applications for Category 2 digital services on an ongoing basis, effective January 2002, the CRTC began to require Category 2 licence applicants to provide evidence of a reasonable likelihood that their service would obtain carriage or distribution by a licensed BDU. Since this policy, the CRTC has refused to process any Category 2 applications in the absence of such evidence. However, the CRTC has since decided to revisit the prior carriage requirement in a public proceeding (Broadcasting Public Notice CRTC 2003-14, *Call for comments on possible amendments to the CRTC's procedures for dealing with applications for new Category 2 pay and specialty services* (18 March 2003)) and whether it will continue the requirement that a reasonable likelihood of carriage be demonstrated by an applicant before the CRTC will process a licence application.

Constraints on Shares

The Company's ability to raise capital in the future may be affected by the constraints in the Company's articles of incorporation on the issue and transfer of the Company's shares which are required to ensure that the Company maintains the necessary levels of Canadian ownership for regulatory purposes and other legislation under which the Company derives the benefit of tax credits and industry incentives.

Significant Shareholder

Members of the Waters family directly and indirectly control approximately 89% of the Company's Common Shares – the only class of shares carrying the right to vote in all circumstances. As a result, such group, whose interests as shareholders may not always correspond with those of the other shareholders, is in a position to significantly influence the operations and strategy of the Company. In addition, such control may limit the interests of others in investing in the Company. In the event that this group ceases to own directly or indirectly at least 66 2/3% of the votes attached to the Common Shares or if any person other than this group acquires, directly or indirectly, 30% of the Common Shares, an event of default under the Company's credit agreement could be triggered, along with certain obligations under other agreements.

Debt Financing

The Company's debt financing is subject to possible risk. Cash flow from operations may not be sufficient to meet payments of principal and interest. Based on cash flow from operations for fiscal 2003, the Company does not anticipate any difficulties in meeting any such payments. The loan terms involve floating interest rates which cause some uncertainty and could result in a risk that such rates could ultimately become uneconomical. The Company monitors interest rate developments and intends to consider alternative sources of financing if such rates become too high. The Company's credit agreement contains covenants imposing certain limitations on the Company's ability to acquire and dispose of assets, not unusual in agreements of this nature. While such covenants have sufficient flexibility to allow for ordinary course acquisitions and dispositions consistent with past operations, consent of the Company's lenders may be required for acquisitions out of the ordinary course. The Company anticipates that it will be able to repay and refinance the existing indebtedness when it falls due, but there can be no assurance that the Company will be able to do so or that the terms of such refinancing will be favourable.

Television Program Productions

Each production of a television program is an individual artistic work and its commercial success is determined primarily by audience acceptance, which cannot be accurately predicted. Audience acceptance is a factor not only of the response to artistic components of a television program, but also to the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions, and other factors, all of which can change rapidly and many of which are beyond the Company's control. Therefore, economic success of any production is not assured.

Production of television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect the Company and cause cost overruns and delay or hamper completion of a production. From time to time, the Company may provide financing for television programming which meets applicable Canadian content requirements. There is no assurance that these loans will be repaid.

MANAGEMENT REPORT

The consolidated financial statements and other information contained in this annual report are the responsibility of the management of CHUM Limited.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. Financial and other information contained elsewhere are consistent with these consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that the consolidated financial statements accurately and reliably reflect the Company's operating results and that assets are adequately accounted for and safeguarded.

The consolidated financial statements have been reviewed by the Audit Committee and, together with the other information in this annual report, have been approved by the Board of Directors. PricewaterhouseCoopers LLP, an independent firm of chartered accountants, has audited the consolidated financial statements and provided a professional opinion (see Auditors' Report).

October 31, 2003

JAY SWITZER
President and Chief Executive Officer
CHUM Limited

TAYLOR C. BAIDEN
Vice-President, Finance and
Treasurer and Secretary
CHUM Limited

To the Shareholders of CHUM Limited

We have audited the consolidated balance sheets of CHUM Limited as at August 31, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
Toronto, Ontario
October 27, 2003

CONSOLIDATED BALANCE SHEETS

AS AT AUGUST 31 (in thousands of dollars)	**2003**	2002
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	$ 21,452	$ 7,472
Accounts receivable	101,377	98,426
Income taxes recoverable	-	2,301
Program rights	70,457	56,836
Prepaid expenses and other assets	11,052	15,875
	204,338	180,910
Program rights	94,086	91,249
Investments and other assets	3,317	3,978
Fixed assets (note 2)	185,092	189,088
Broadcast licences	87,109	86,119
Goodwill (note 4)	138,858	138,858
	712,800	690,202
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	54,902	55,577
Income taxes payable	14,513	-
Current portion of long-term debt (note 5)	192	175
Program rights payable	65,893	57,618
	135,500	113,370
Program rights payable	26,441	26,780
Long-term debt (note 5)	125,963	247,678
Future income taxes (note 9)	33,581	36,958
Minority interest	2,075	1,608
	323,560	426,394
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	124,242	21,343
Retained earnings	264,998	242,465
	389,240	263,808
	712,800	690,202

Approved by the Board of Directors

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENTS OF EARNINGS

FOR THE YEARS ENDED AUGUST 31 *(in thousands of dollars, except per share amounts)*	**2003**	2002
REVENUE – less agency commissions	$ 540,509	$ 479,939
EXPENSES		
Operations	460,596	428,518
Depreciation	24,705	23,008
Interest	11,826	12,200
Interest and other income	(780)	(988)
	496,347	462,738
Operating income	44,162	17,201
Gain on exchange of assets (note 3(c))	-	9,737
	44,162	26,938
Provision for income taxes (note 9)	17,963	12,336
Earnings before minority interest in earnings of subsidiaries	26,199	14,602
Minority interest in earnings of subsidiaries	770	472
Net earnings for the year	25,429	14,130
Net earnings per Class B share and per common share (note 7(b))	2.13	1.21

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED AUGUST 31 (in thousands of dollars)	**2003**	2002
Retained earnings – Beginning of year	$ 242,465	$ 230,894
Net earnings for the year	25,429	14,130
	267,894	245,024
Deduct		
Dividends paid ($0.08 per share, regular and $0.14 per share, special)		
Class B shares	2,154	1,817
Common shares	742	742
	2,896	2,559
Retained earnings – End of year	264,998	242,465

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31 (in thousands of dollars)	**2003**	2002
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net earnings for the year	$ 25,429	$ 14,130
Items not affecting cash		
Depreciation	24,705	23,008
Minority interest in earnings of subsidiaries	770	472
Future income taxes	(1,826)	4,464
Amortization of other assets	662	-
Gain on exchange of assets	-	(9,737)
	49,740	32,337
Changes in non-cash balances related to operations		
Increase in accounts receivable	(3,101)	(7,750)
Decrease (increase) in income taxes recoverable	2,301	(2,916)
Increase in program rights	(16,458)	(2,986)
Decrease (increase) in prepaid expenses and other assets	4,823	(3,981)
Increase (decrease) in accounts payable and accrued liabilities	(675)	3
Increase (decrease) in income taxes payable	14,513	(7,351)
Increase (decrease) in program rights payable	7,936	(609)
	9,339	(25,590)
	59,079	6,747
INVESTING ACTIVITIES		
Additions to fixed assets - net	(20,300)	(35,515)
Acquisitions - net of cash acquired	(1,600)	(129,882)
Decrease (increase) in investments and other assets	136	(142)
Proceeds on exchange of assets	-	8,000
	(21,764)	(157,539)
FINANCING ACTIVITIES		
Decrease in bank indebtedness	-	(52,511)
Dividends paid	(2,896)	(2,559)
Financing costs	(90)	(1,345)
Long-term debt repayments	(134,925)	(5,160)
Increase in long-term debt	13,227	219,839
Net proceeds from issuance of non-voting, Class B shares	101,349	-
	(23,335)	158,264
Change in cash and short-term investments during the year	13,980	7,472
Cash and short-term investments - Beginning of year	7,472	-
Cash and short-term investments - End of year	21,452	7,472
SUPPLEMENTARY INFORMATION		
Income taxes paid	2,975	13,840
Interest paid	11,557	9,825

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements present the operations of the company, its subsidiaries, and its 50% interest in MusiquePlus Inc. and Sun Radio Limited accounted for on a proportionate consolidation basis. All other investments are carried at cost.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from these estimates.

Revenue recognition

Revenue earned from sales of airtime is recognized in the accounts when the advertisement is aired. Revenues are recorded net of agency commissions as these charges are paid directly to the agency by the advertiser.

Cash and short-term investments

Cash and short-term investments include highly liquid investments with original maturities of three months or less at the time of purchase.

Program rights

For television stations, the company reports an asset and a liability for the licence agreements entered into to acquire broadcast and distribution rights of feature films and syndicated programs. Agreements are recorded when the program cost is reasonably determinable and the program material is available for telecast or resale.

The costs of broadcast rights are amortized over the period of the right's contract on the basis of usage or time. The costs of distribution rights are amortized over the period of the right's contract. Such costs are allocated between current and non-current assets using management's estimate of usage or recovery in the next fiscal year.

Program rights are reported at net amortized cost and are written off when deemed to be of no value.

Liabilities for program rights are payable in instalments in accordance with the licence agreements or on the basis of usage of the program material. The liability is segregated between current and non-current using payment terms and management's estimate of usage in the next fiscal year.

Depreciation

Depreciation is provided on a declining balance basis using the following rates: buildings - 4% to 5%; broadcasting equipment - 20% to 30%; and other - 8% to 30%. Leasehold improvements are amortized on a straight-line basis over the term of the lease plus one renewal period.

Start-up costs

Start-up costs for the preparation of new applications to the Canadian Radio-television and Telecommunications Commission (CRTC) are expensed. Start-up costs for licences of successful applications, which are awarded by the CRTC, are capitalized from the date they are awarded to the date revenue is generated for the service. Start-up costs are amortized over a period that reflects their expected future benefit, not exceeding five years.

Goodwill and broadcast licences

Goodwill and broadcast licences with indefinite lives are not subject to amortization and are tested annually for impairment by applying a fair value test.

Income taxes

The company accounts for income taxes under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for future income tax consequences attributable to the differences between financial statement carrying values and income tax bases of assets and liabilities. Future income tax assets and liabilities are measured using the substantively enacted income tax rates relating to the period in which they are expected to be settled. The effects of changes in substantively enacted income tax rates on future income tax assets and liabilities are recognized in income in the period the income tax rate is substantively enacted.

Post-employment benefits

The cost of providing benefits through defined benefit pensions is actuarially determined and recognized in earnings using the projected benefits method pro-rated on service. Differences arising from plan amendments, changes in assumptions and experience gains and losses are recognized in earnings over the expected average remaining service life of employees. The cost of providing benefits through defined contribution pension plans is charged to earnings when contributions become payable.

Financing costs

Debt issue costs are capitalized and amortized over the term of the related credit facility.

2. FIXED ASSETS

Fixed assets consist of:

	2003	2002
Cost		
Land	$ 20,774	$ 20,687
Buildings	103,273	95,564
Broadcasting equipment	178,052	173,199
Other	65,904	59,517
	368,003	348,967
Accumulated depreciation		
Buildings	23,038	19,748
Broadcasting equipment	116,180	102,801
Other	43,693	37,330
	182,911	159,879
	185,092	189,088

3. SIGNIFICANT BUSINESS TRANSACTIONS

a) Effective February 28, 2003, the company purchased the broadcasting assets of Vancouver radio station, CKST-AM 1040 for $1,600 cash. Assets and liabilities assumed were a broadcast licence of $990, fixed assets of $630 and current liabilities of $20. The acquired broadcast licence has an indefinite life and is not subject to amortization.

b) On October 31, 2001, the company acquired 100% of the outstanding common shares of CHUM Television Vancouver Inc. (formerly CKVU Sub Inc.), which holds the rights to operate CKVU-TV in Vancouver, B.C., from CanWest Television Inc. for a purchase price of $133,012. The company accounted for the acquisition using the purchase method and the results of CHUM Television Vancouver Inc. have been included in these consolidated financial statements since that date.

   The acquired broadcast licence has an indefinite life and is not subject to amortization. Of the future income tax liabilities, $26,767 relates to the broadcast licence and $2,158 relates to temporary differences associated with the fixed assets. Goodwill was assigned to the television segment and is not deductible for income tax purposes.

c) Effective February 1, 2002, the company sold its radio station CHOM-FM in Montreal to Standard Broadcasting Corporation Limited in exchange for the assets of CFWM-FM in Winnipeg and $8,000 cash. The transaction resulted in a gain of $9,737. The acquired broadcast licence has an indefinite life and is not subject to amortization.

d) During fiscal 2002, the company acquired 50% of CIEZ-FM in exchange for the settlement of a note receivable valued at $856.

e) During fiscal 2002, the company's 60%-owned subsidiary, Learning and Skills Television of Alberta, acquired an educational training company for $465 cash. Goodwill of $588 was assigned to the television segment.

The following table summarizes the net assets acquired in fiscal 2002 acquisitions.

	CKVU-TV	CFWM-FM	2002 Other
Current assets	$ 11,915	$ 8,517	$ 24
Fixed assets	7,933	668	113
Broadcast licence	79,000	6,332	787
Goodwill	69,375	-	588
	168,223	15,517	1,512
Current liabilities	6,286	285	84
Future income tax liabilities	28,925	-	(94)
Minority interest	-	-	201
	35,211	285	191
Net assets acquired	133,012	15,232	1,321

4. GOODWILL

	Television	Radio	Other	Total
Balance - August 31, 2001	$ 7,404	$ 60,849	$ 5,637	$ 73,890
Goodwill acquired during the year	69,963	-	-	69,963
Goodwill disposed of during the year	-	4,995	-	4,995
Balance - August 31, 2002 and 2003	77,367	55,854	5,637	138,858

5. LONG-TERM DEBT

	2003	2002
Mortgage at 9.35%, maturing in 2006	$ 2,100	$ 2,289
Revolving operating facility	-	61,270
Revolving term loan facility	114,055	174,294
Preferred shares at 10.00%, redeemable in 2009	10,000	10,000
	126,155	247,853
Less: Current portion	192	175
	125,963	247,678

On April 12, 2002, the company completed a syndication of credit facilities for an amount of up to $300,000. The facilities provide for a revolving operating facility and a revolving term loan facility, both on an unsecured basis, and bear interest based on prime rates or bankers' acceptance rates plus applicable spreads based on certain ratios maintained by the company. The effective interest rates for the year ended August 31, 2003 were 5.2% (2002 - 5.4%) and 4.7% (2002 - 5.1%) for the operating and term loan facilities, respectively. The facilities have terms to April 2005, unless extended in accordance with the agreement. The credit facilities include certain covenants requiring the company to maintain certain financial ratios.

On August 29, 2003, the company reduced its amount available under these facilities by $50,000.

The preferred shares have been treated as debt for accounting purposes, as they bear a fixed rate of return and are retractable at the option of the holder. The preferred shares are classified as long-term debt on the consolidated balance sheets and dividends are classified as interest expense in the consolidated statements of earnings.

6. COMMITMENTS

Program rights

As at August 31, 2003, the company reported program rights payable for the years ending August 31, 2004 to 2007 totalling $92,334 (2002 - $84,398). In addition, commitments for the purchase of program rights have been concluded where the program material has not yet been made available for telecast. Estimated future commitments total $75,793 (2002 - $55,734), of which approximately $58,310 (2002 - $45,744) is due over the next 12 months.

Leases

The company is committed under operating leases for rental of properties, broadcasting facilities and other equipment extending for varying periods to 2015.

Future minimum payments are as follows:

Year ending August 31, 2004	$ 8,058
2005	7,091
2006	4,807
2007	4,064
2008	3,427
2009 and subsequent years	11,216
	38,663

7. CAPITAL STOCK

	2003	2002
Non-voting shares		
Authorized		
Unlimited number of non-voting, Class B shares		
Issued		
10,359,551 (2002 - 8,259,551) shares	$ 122,152	$ 19,253
Common shares		
Authorized		
Unlimited number of common shares		
Issued		
3,374,015 shares	2,090	2,090
	124,242	21,343

a) The holders of the Class B shares are entitled to receive, if, as and when declared by the board of directors, annual non-cumulative dividends at the rate of 8¢ per share. No dividends shall be declared on the common shares in any year until dividends of 8¢ per share have been paid on the Class B shares. In any year, when such dividends have been paid on both the Class B and common shares, any further dividends shall be paid equally on the Class B and common shares.

The Class B and common shareholders are entitled to share equally in any distribution of the company's assets on winding up.

b) Net earnings per Class B share and per common share have been calculated on the basis of the weighted average number of shares outstanding during the year of 11,915,484 (2002 - 11,633,566) shares.

c) On July 14, 2003, in accordance with the terms of a short-form prospectus, the company issued 2,100,000 non-voting, Class B shares at a price of $50.50 per share. After deducting the underwriters' fee and expenses, the net proceeds were $101,349. The company used the net proceeds of the issue to reduce indebtedness owed to its lenders under its credit agreement.

8. POST-EMPLOYMENT BENEFITS

The company has a defined benefit pension plan available to all full-time employees of CHUM Limited and a defined contribution pension plan available to all full-time employees of CHUM Television Vancouver Inc. The change in the funded status of the company's defined benefit pension plan was as follows:

	2003	2002
Change in benefit obligation		
Benefit obligation - Beginning of year	$ 33,465	$ 30,225
Service cost	2,254	2,027
Interest cost	2,443	2,182
Plan participants' contributions	1,031	1,107
Benefits paid	(1,132)	(2,076)
Benefit obligation - End of year	38,061	33,465
Change in plan assets		
Fair value of plan assets - Beginning of year	28,225	28,778
Actual return on plan assets	2,062	(1,497)
Employer's contribution	2,605	1,913
Plan participants' contributions	1,031	1,107
Benefits paid	(1,132)	(2,076)
Fair value of plan assets - End of year	32,791	28,225
Funded status	(5,270)	(5,240)
Unrecognized net actuarial loss	8,880	9,048
Unrecognized transitional asset	(3,179)	(3,391)
Prepaid benefit cost	431	417

The company's net benefit plan expense is as follows:

	2003	2002
Current service cost	$ 2,254	$ 2,027
Interest cost	2,443	2,182
Expected return on plan assets	(2,211)	(2,194)
Amortization of transitional obligation	(212)	(212)
Amortization of net actuarial gain	317	137
	2,591	1,940
Weighted average assumptions as at August 31		
Discount rate	6.75%	6.75%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	5.50%	5.50%

The company recognized $365 (2002 - $238) in the year for the company's defined contribution pension plan.

9. INCOME TAXES

The differences between the effective income tax rate reflected in the provision for income taxes and the Canadian statutory income tax rate are as follows:

	2003	2002
	%	%
Corporate statutory rate of income taxes	37.5	39.7
Adjusted for the effect of		
Non-deductible preferred share dividends	0.9	1.5
Large corporations tax	0.7	2.7
Other	1.6	1.9
	40.7	45.8

The provision for income taxes comprises:

	2003	2002
Current	$ 19,789	$ 7,872
Future	(1,826)	4,464
	17,963	12,336

Future income tax liabilities and assets consisted of the following:

	2003	2002
Liabilities		
Start-up costs	$ 976	$ 1,338
Broadcast licence	28,925	28,925
Goodwill	6,191	6,508
Fixed assets	935	1,079
Other	452	158
	37,479	38,008
Assets		
Income taxes losses available for carry-forward	1,712	615
Capital stock	1,550	-
Other	636	435
	3,898	1,050
	33,581	36,958

10. SEGMENTED INFORMATION

The company's principal business activities are carried out through three reportable segments: television, radio and other. Television consists of the company's Ontario and British Columbia television stations and specialty channels. Radio consists of AM and FM stations across the country. Other consists of the company's background music network and head office function.

Information on the operating groups is as follows:

				2003
	Television	Radio	Other	Total
Revenues	$ 410,419	$ 118,430	$ 11,660	$ 540,509
Operating income (loss)	39,645	26,672	(22,155)	44,162
Total assets	570,404	128,864	13,532	712,800
Fixed asset expenditures	16,656	3,583	1,365	21,604
Depreciation	20,235	3,588	882	24,705

				2002
	Television	Radio	Other	Total
Revenues	$ 356,579	$ 111,524	$ 11,836	$ 479,939
Operating income (loss)	26,832	11,303	(20,934)	17,201
Total assets	554,216	123,118	12,868	690,202
Fixed asset expenditures	31,643	4,939	1,852	38,434
Depreciation	17,536	4,556	916	23,008

11. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Financial instruments are financial assets or liabilities of the company where, in general, the company has the right to receive cash or another financial asset from another party or the company has the obligation to pay another party cash or other financial assets. Financial assets and liabilities include bank indebtedness, accounts receivable, certain investments, accounts payable and accrued liabilities, program rights payable, income taxes recoverable and payable and long-term debt. The carrying amounts in the consolidated balance sheets approximate fair values due to the limited term and nature of these instruments.

The fair value of certain investments is not readily determinable as there are no fixed terms of repayment. The fair value of long-term program rights is also not readily determinable.

12. PRIOR YEAR'S FINANCIAL STATEMENTS

Certain comparative figures for the year ended August 31, 2002 have been reclassified to conform to the 2003 basis of presentation.

DIRECTORS

JAMES WATERS
Aurora, Ontario
Director
Chairman of the Board

RONALD WATERS
Toronto, Ontario
Director
Vice-Chairman of the Board

TAYLOR C. BAIDEN, B. COMM., C.A.
Toronto, Ontario
Director
Vice-President, Finance, and Treasurer and Secretary

SHERYL BOURNE
Richmond Hill, Ontario
Director

LAWRENCE W. LAMB
Ennismore, Ontario
Director

JOHN (JACK) MATTENLEY
Barrie, Ontario
Director

FRED SHERRATT
Toronto, Ontario
Director

ROBERT SUTHERLAND, Q.C.
Toronto, Ontario
Director

JAY SWITZER
Toronto, Ontario
Director
President and Chief Executive Officer

ALLAN WATERS
Toronto, Ontario
Director

MARJORIE WATERS
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SOLICITORS
Fasken Martineau DuMoulin LLP

AUDITORS
PricewaterhouseCoopers LLP

BANKERS
Royal Bank of Canada

STOCK EXCHANGE LISTING
TSX – Toronto Stock Exchange (CHM, CHM.B)

ANNUAL MEETING OF SHAREHOLDERS
Friday December 12, 2003
2 pm
Vanity Fair Ballroom
Royal Meridian King Edward Hotel
37 King Street East
Toronto, Ontario

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